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Message Text

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72
ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

DRC-01 /176 W
---------- 062143
R 231521Z JAN 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9891
INFO USMISSION OECD PARIS
USMISSION EC BRUSSELS

UNCLAS BONN 1189

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: BUNDESBANK ON DOLLAR SALES, FRENCH FRANC FLOAT,
MONETARY POLICY AND CAPITAL CONTROLS

1. SUMMARY. BUNDESBANK PRESIDENT KLASEN SAID THE BUNDESBANK WOULD BE WILLING TO BE COOPERATIVE IF THE U.S. WOULD SELL DOLLARS ON THE FOREIGN EXCHANGE MARKETS. KLASEN NOTED THE FRENCH DECISION TO FLOAT WITH REGRET, BUT POINTED OUT IT WOULD FACILITATE BUNDESBANK MONETARY POLICIES. THE JANUARY 22 CENTRAL BANK COUNCIL MEETING DECIDED ON NO FURTHER MONETARY POLICY MEASURES. FRG CABINET DISCUSSIONS OF CAPITAL CONTROLS TO BE POSTPONED FOR ANOTHER WEEK. END SUMMARY.

2. ACCORDING TO PRESS REPORTS (WHICH WERE BASICALLY CONFIRMED BY THE BUNDESBANK'S PRESS SECTION), BUNDESBANK PRESIDENT KLASEN STATED IN A PRESS CONFERENCE AFTER THE JANUARY 22 CENTRAL BANK COUNCIL MEETING THAT, REGARDING BUNDESBANK DOLLAR SALES, THE BANK WOULD
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SUPPORT THE U.S. "WITHIN LIMITS OF NECESSITIES". THE BANK "WOULD

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BE GLAD TO BE COOPERATIVE" (IN HOLDING DOWN THE VALUE OF THE DOLLAR) PROVIDED THE U.S. ITSELF WOULD INTERVENE ON FOREIGN EXCHANGE MARKETS. THE BUNDESBANK WOULD, HOWEVER, IN ANY CASE HAVE TO CONSIDER THE INTERESTS OF ITS PARTNERS LEFT IN THE EC SNAKE. ACCORDING TO "DIE WELT", VICE PRESIDENT EMMINGER STATED IN ANOTHER INTERVIEW (WHICH WAS NOT ATTENDED BY BUNDESBANK PRESS OFFICIALS AND THUS NOT CONFIRMED BY THEM) THAT THE BUNDESBANK WOULD SELL DOLLARS NOT SO MUCH AS A RESULT OF APPEALS OF OTHERS BUT RATHER AS A CONSEQUENCE OF ITS OWN CONSIDERATIONS.

3. REGARDING THE FRENCH FRANC FLOAT, KLASEN EXPRESSED REGRET ABOUT THIS MEASURE BUT POINTED OUT IT WOULD FACILITATE BUNDESBANK MONETARY POLICY SINCE THE BANK NO LONGER WOULD HAVE TO INTERVENE IN FRENCH FRANCS. KLASEN CONSIDERED THE DANGER THAT A "DEVALUATION RACE" MIGHT DEVELOP WILL "REMAIN WITHIN LIMITS". HE ADDED THAT AT THE BRUSSELS MEETING OF THE REMAINING JOINT FLOAT COUNTRIES, NO PROMISES WERE MADE TO ENLARGE THE CURRENCY SUPPORT ARRANGEMENTS CURRENTLY IN EFFECT FOR THE JOINT FLOAT COUNTRIES, AND THAT, IN FACT, NOBODY HAD ASKED FOR SUCH AN ENLARGEMENT.

4. WITH REGARD TO THE RELAXATION OF GERMAN CAPITAL CONTROLS, KLASEN STATED THAT A GOVERNMENT DISCUSSION HAS BEEN POSTPONED FOR ANOTHER WEEK (APPARENTLY DUE TO THE FRENCH FLOAT). HE ADDED THAT A "FAR-REACHING" AGREEMENT BETWEEN THE BUNDESBANK AND THE FEDERAL GOVERNMENT HAS BEEN ACHIEVED. VICE PRESIDENT EMMINGER STATED THAT THE ENVISAGED STEP-BY-STEP REDUCTION OF CAPITAL CONTROLS WOULD BE A "STEP IN THE DIRECTION THAT THE U.S. DESIRES".

5. AT THE JANUARY 22 MEETING ITSELF, THE CENTRAL BANK COUNCIL DID NOT DECIDE ON ANY FURTHER MONETARY MEASURES. PRESIDENT KLASEN, HOWEVER, INDICATED THAT IN CASE OF FURTHER LARGE FOREIGN EXCHANGE OUTFLOWS, THE BUNDESBANK WOULD STAND READY TO AGAIN PROVIDE LIQUIDITY SUPPORT FOR THE BANKS.
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Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
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Film Number: n/a
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